

Message

From: Mone, Michael [/O=CAH/OU=CARDINAL HEALTH/CN=RECIPIENTS/CN=MICHAEL.MONE]
Sent: 6/30/2008 11:47:38 AM
To: Giacalone, Robert [/O=CAH/OU=CARDINAL HEALTH/CN=RECIPIENTS/CN=Robert.Giacalone]
Attachments: Anti-Diversion Ohio BOP.ppt

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PLAINTIFFS TRIAL
EXHIBIT
P-09734_00001

Anti-Diversion Progress Update

February 18, 2008

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Corporate Investigations -- Key Observations/Recommendations

- **Organization Structure**
 - Inconsistent oversight of field QRA
 - Inconsistent QRA participation/direction in:
 - Selection of personnel
 - Training of personnel
 - Acquisitions led to inconsistent processes
 - Communication gaps between QRA and sales force; unclear decision rights
 - Gaps in monitoring and interpreting regulatory agency communication
 - Clarify role of Regulatory Counsel and Legal Department
- **Resources**
 - Lack of DEA enforcement expertise
 - Lack of healthcare regulatory expertise in Ethics & Compliance
 - Budgetary constraints limited resources
- **Personnel**
 - Good people trying to do the right things with limited resources
 - Some people with wrong skill sets
 - Realignment of reporting required for certain personnel



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2

Key Actions -- People

- **Reorganized QRA**

- Added 1 SVP, Supply Chain Integrity and Regulatory Operations
- Added 1 VP, 2 Directors, 6 Investigators forming the Anti-Diversion Investigation Team
 - Located in Dublin, Chicago, Lakeland, Swedesboro, Sacramento
- Realigned or added 24 Field QRA Compliance Managers
- Realigned Regulatory Operations and Anti-Diversion to report to SVP, Supply Chain Integrity



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3

Key Actions -- Processes

- **Established standardized criteria to identify excessive purchases and documented process to investigate suspicious orders**
- **Established ongoing amnesty program for Sales**
- **Implemented enhanced “Know Your Customer” training**
 - Establish on-going curriculum to train Sales, Operations and QRA
 - Delivered Phase I “Know Your Customer” to retail independent sales
 - Delivered Phase I Anti-Diversion 6 hr training session to 160 management staff from Sales, Operations, and QRA
 - Executed 2 day training on anti-diversion for Field QRA Feb 27-28
 - Executed 4 hour Anti-Diversion training for all sales and ops personnel at each DC
 - Planned webinars, on line training and testing
 - Established MBO's and required monthly site visits at all accounts
 - Established site visit and due diligence prior to QRA approval of new account
 - Established a monthly report for sales of CS information for each customer



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Key Actions -- Processes

- **Established routine communications between Sales, Operations and QRA**
 - Mandated Field QRA monthly route rides with Sales
 - Bi-monthly conference call with SVP Supply Chain Integrity with leadership from Sales, Operations, and QRA
 - Weekly Anti-Diversion email updates
- **Designing internal marketing campaign to Cardinal's 40,000 domestic employees to drive awareness and responsibility concerning diversion**



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8

Key Actions -- Systems

- **Implemented Phase II Suspicious Order Monitoring program (SOM)**
 - Rolled out to monitor all Retail Independent customers
 - Will implement across all customer classes of trade

- **Corporate commitment to continuously improve SOM**
 - Determine ability to apply sophisticated risk ranking algorithms to determine the likelihood of suspicious activity
 - Determine ability to provide time series analysis and trending
 - Continually improve modeling of data



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Results To Date

- Conducted site visits and validation on 266 accounts
- Stopped selling to and reported 110 accounts to DEA Dec-Jan
- Blocked and investigated 495 excessive orders in Jan
- Built system to report to states excessive orders



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7

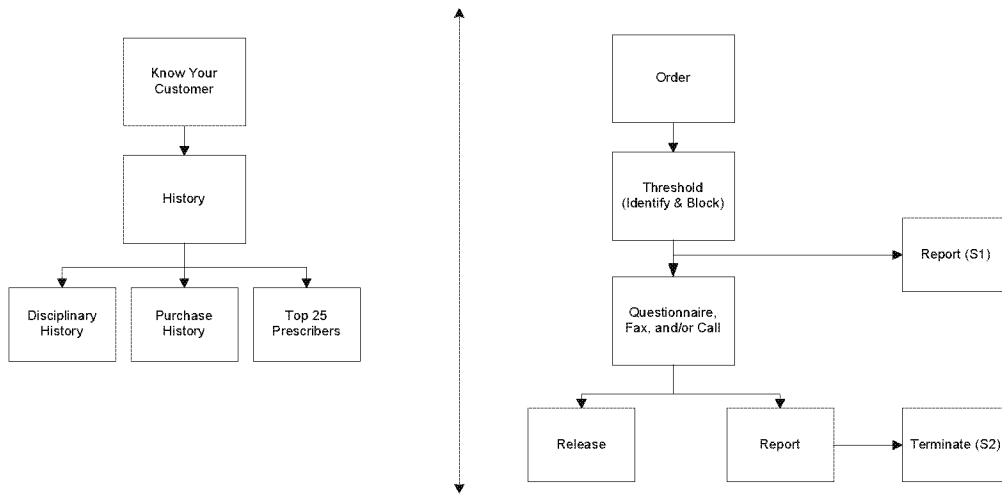
SOM Process



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SOM Process



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Excerpt from DEA Letter 12/27/2007

- Characteristics of suspicious order
 - deviation in normal pattern
 - significant change in size
 - one product or group of products
 - percentages of purchase mix without validity



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18

Suspicious Order Monitoring

- Components
 - Our people
 - Know your customer
 - New Pharmacy Customer Questionnaire
 - IT Component
 - Thresholds - customized
 - Account evaluation
 - Communication
 - Across all Cardinal Health business units
 - All roles involved in SOM



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11

IT Component

- A tool to assist in our evaluation
- Data mining for patterns and practices
- Continuous review and where appropriate revision of parameters for each customer
 - Increase or decrease
- In future to be used to establish pro-active analysis
- Designed to map purchases to established patterns of valid dispensing



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13

